

**State of Washington
Decision Package**

Agency:	310	Department of Corrections
Decision Package Code/Title:	AJ	Direct Variable Cost

Budget Period: 2007-2009

Budget Level: M2 – Inflation and Other Rate Changes

Recommendation Summary Text:

The Department requests funding for inflationary increases to offender direct variable costs at an average rate of 4.71 percent for the current biennium.

Agency Total

<u>Fiscal Detail</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>Total</u>
Operating Expenditures			
001-1 - General Fund - Basic Account-State	\$1,214,000	\$1,214,000	\$2,428,000
	<u>FY 2008</u>	<u>FY 2009</u>	<u>Annual Average</u>
Staffing			
FTEs	N/A	N/A	N/A

Program 200-Institutional Services

<u>Fiscal Detail</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>Total</u>
Operating Expenditures			
001-1 - General Fund - Basic Account-State	\$1,214,000	\$1,214,000	\$2,428,000
	<u>FY 2008</u>	<u>FY 2009</u>	<u>Annual Average</u>
Staffing			
FTEs	N/A	N/A	N/A

Package Description

Direct Variable Costs (DVC) are expenditures directly related to an offender in the prison system. The Department has several categories that are classified as DVC which includes:

- Water, sewer, garbage
- Food and food service supplies
- Contract laundry services and laundry supplies
- Gate release and offender pay
- Prescription and non-prescription drugs
- Offender clothing, dry goods, and hygiene items
- Contracted dentists, physicians, and mental health professionals
- Hospital, labs fees, radiology, and other Health Service related services not provided by the Department.

Several of the non-Health Service items are directly related to private sector inflation. Items such as food service supplies, laundry supplies, dry goods, food, offender clothing, and offender hygiene items are dependent upon receiving general inflation funds to cover the increased costs.

Since 2003, the Department has incurred an increase of 7.95 percent in the daily rate per offender for the DVC items listed above without receiving funding to address this. Funding for these items is only received for increases in capacity or emergency population.

The Department attempts to fund these increases internally by reducing other costs such as office supplies, safety supplies, travel, or equipment. Due to the continual increase the Department has lost the ability to sustain these items from existing resources and continue to operate safe and secure facilities.

The Department's allocation method for the Institutional Services appropriation consists of two sections, mandatory items and priority items. Mandatory items are those items the Department is required to pay to operate prisons:

- Salaries and Benefits
- Direct Variable Costs
- Utilities
- Provisos
- Specific Contracts

These items are funded at 100 percent. Funding remaining after the mandatory items are determined is used for priority items.

To determine the DVC rate, the Department utilizes the rate developed from the previous year to determine allotments in the coming biennium for DVC. For example, to allocate for Fiscal Year 2006 and Fiscal Year 2007, Fiscal Year 2005 expenditures were used. The rate for Fiscal Year 2005 increased by 3 percent over the previous base year, 2003. This means that the Department had to reduce priority items by 3 percent to accommodate the DVC increase.

Fiscal Year 2006 expenditures increased by 4.7 percent over the Fiscal Year 2005 rate. The Department would need to increase funding in DVC for Fiscal Year 2007 by \$1.2 million to address the increase.

Narrative Justification and Impact Statement

How contributes to strategic plan:

This request is critical to agency activities, the strategic plan, and statewide results. The request ensures that the Department has the necessary resources to maintain current levels of service and performance.

This request is required to sustain the agency activities *Confine Convicted Adults in State Prisons, Supervise Adult Offenders in the Community, and Reentry Services for Adult Offenders*. The resources identified will be directed to support the agency objective to increase offender readiness for re-entry and protect offenders, staff, and communities. The strategy is to make successful offender re-entry the responsibility of all staff and the focus of all programs and activities and use results from validated assessment tools to target programs to address offender risks and deficits. These objectives and strategies move the Department closer to meeting its high-level organizational goals of increase successful re-entry of offenders to communities and maintain offender safety during incarceration and supervision. These high-level goals are intermediate outcomes and assist the Department in achieve statewide results that will reduce re-offense behavior and improve the safety of people and property.

Performance Measure Detail

No measures were submitted for this package.

Reason for change:

This request does not add new services, functions, or activities. The funds requested are necessary to manage the projected inflation in specific DVC items.

Impact on clients and services:

The Department will be able to maintain the current level of service to offenders.

Impact on other state programs:

N/A

Relationship to capital budget:

N/A

Required changes to existing RCW, WAC, contract, or plan:

N/A

Alternatives explored by agency:

N/A

Budget impacts in future biennia:

Funding would be required in future biennia in order to maintain the current level of services.

Distinction between one-time and ongoing costs:

The inflation costs would be ongoing.

Effects of non-funding:

Not funding DVC inflation will restrict the Department's ability to operate safe and secure facilities.

Expenditure Calculations and Assumptions:

The Department requests \$1,214,000 to fund the increased costs of DVC from Fiscal Year 05 to Fiscal Year 06. Calculations are determined by applying the percentage increase to the Fiscal Year 2007 allotments for food service supplies, laundry supplies, dry goods, food, offender clothing, and hygiene items. The Department does not assume a rate increase for FY 2008 and FY 2009 beyond the increase determined above. The Department will address those increases in subsequent budget submittals.

<u>Object Detail</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>Total</u>
E Goods and Services	\$1,214,000	\$1,214,000	\$2,428,000
Total	\$1,214,000	\$1,214,000	\$2,428,000